

REMARKS

In the last Office Action, the Examiner rejected claims 1-9 under 35 U.S.C. § 101; rejected claims 1, 9, 10, 17, and 25 under 35 U.S.C. § 102(b) as anticipated by Buchanan et al. (U.S. Patent No. 5,950,179); and rejected claims 2-7, 11-16, and 18-23 under 35 U.S.C. § 103(a) as unpatentable over Buchanan et al. (U.S. Patent No. 5,950,179) in view of Gopinathan et al. (U.S. Patent No. 5,819,226).

By this amendment, Applicant has amended claims 1, 2, 10, 11, 17, and 18, and adding new claims 26-28, such that claims 1-28 are pending in this application.

Based on the following arguments, Applicant respectfully traverses the Examiner's rejections under 35 U.S.C. § 101, 102, and 103(a).

I. The Rejections Under 35 U.S.C. § 101

The Examiner asserts that claims 1-9 are directed to non-statutory subject matter because "the claimed invention is not implemented on a specific apparatus; therefore, the invention is not directed to the technological arts." See *Office Action, page 3, ¶ 1*. Further, the Examiner asserts that "when one looks to the present specification to determine what the applicant has invented, the invention appears to be a series of steps performed on a **computer**. Claims 1-9 are non-statutory, because they are directed solely to an abstract idea without practical application in the technological arts." See *Office Action, page 3, ¶ 1*.

Although Applicant disagrees with the Examiner's position, Applicant has amended claim 1 to recite that the claim is directed to a "computer implemented method" that performs the identifying step "electronically." Notwithstanding these

changes, Applicant traverses the Examiner's position that claims 1-9 are directed to an abstract idea and therefore non-statutory. As noted by the Federal Circuit,

§ 101 is broad and general; its language is: "any ... process, machine, manufacture, or composition of matter, or any ... improvement thereof." Section 100(b) further expands "process" to include "art or method, and ... a new use of a known process...."

State Street Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368, 1372 (Fed. Cir. 1998). The three unpatentable categories include: "laws of nature, natural phenomena, and abstract ideas." *Id.* at 1373 (citations omitted). According to M.P.E.P. § 2106(IV)(B)(1), "[c]laims to computer-related inventions that are clearly nonstatutory fall into the same general categories as nonstatutory claims in other arts, namely natural phenomena such as magnetism, and abstract ideas or laws of nature which constitute 'descriptive material.'" The Examiner alleges that claims 1-9 are abstract and relies on the "Examination Guidelines for Computer-Related Inventions" set forth in M.P.E.P. § 2106 in rejecting the claims.

As set forth in M.P.E.P. § 2106, "[t]he claimed invention as a whole must accomplish a practical application ... [t]hat is, it must produce a 'useful, concrete and tangible result.'" M.P.E.P. § 2106(II)(A), citing *State Street*, 149 F.3d at 1373. Further, M.P.E.P. § 2106(II)(A) notes that "significant functionality [must] ... be present to satisfy the useful result aspect of the practical application requirement [and] ... [m]erely claiming nonfunctional descriptive material stored in a computer-readable medium does not make the invention eligible for patenting." M.P.E.P. § 2106(II)(A) also states:

Office personnel have the burden to establish a *prima facie* case that the claimed invention as a whole is directed to solely an abstract idea or to manipulation of abstract ideas or does not produce a useful result. Only when the claim is devoid of any limitation to a practical application in the

technological arts should it be rejected under 35 U.S.C. 101...Further, when such a rejection is made, Office personnel must expressly state how the language of the claims has been interpreted to support the rejection (internal citations omitted).

According to the Federal Circuit, the inquiry of whether a claim is statutory focuses on "the essential characteristics of the subject matter, in particular, its practical utility." *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d at 1375. If a claim includes recitations that produce "a concrete, tangible and useful result," the claim is not abstract and has practical utility. See *State Street*, 149 F.3d at 1373, *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 1358 (Fed. Circ. 1999), also cited in M.P.E.P. § 2106(II)(A). And if the claim is not abstract and has practical utility, it is statutory under 35 U.S.C. § 101. Claims 1-9 produce a concrete, tangible, and useful result, and are thus statutory.

The Examiner attempts to show that claims 1-9 constitutes an abstract idea because the claimed invention is not implemented on a specific apparatus. Applicant disagrees and submits that claims 1-9 are statutory for at least the following reasons.

To begin with, claims 1-9 includes recitations that produce "concrete, tangible and useful" results and, therefore, the claimed invention accomplishes a practical application and is not abstract. The Federal Circuit articulated in *State Street* that "the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation." See *State Street*, 149 F.3d at 1601. In *AT&T Corp.*, the Federal Circuit explained that the same principles apply to method claims that do not recite a machine, stating "we consider the scope of Section 101 to be the same regardless of the form--machine or process--in which a

particular claims is drafted.” *AT & T Corp.* at 1357 (citations omitted). In *AT & T Corp.*, the court held that information representative of a call recipient’s PIC, is “a useful, non-abstract result that facilitates differential billing of long-distance calls made by an IXC’s subscriber.” *Id.*

In this case, claims 1-9 clearly include processes that produce useful, concrete, and tangible results. For example, the steps of “identifying an account for potential fraud...” and “restricting the identified account when determining fraud has been made on the account...” set forth in claims 1-9 produce useful, concrete, and tangible results, such as reducing fraud on a financial account. As discussed in the specification at page 3, ¶ 3, reducing fraud, such as check kiting, has a useful application in the technological arts.

The recitations of claims 1-9 do not “simply manipulate abstract ideas”; rather, the claim recitations produce useful, concrete, and tangible results (M.P.E.P. § 2106(IV)(B)(1)) as explained above. A “method for reducing fraud on a financial account,” including “identifying an account for potential fraud based on payments made to the account” and “restricting the identified account when determining fraud has been made on the account,” as recited in claims 1-9, is not a mere arrangement of data, not abstract, and therefore statutory under 35 U.S.C. § 101.

For at least the foregoing reasons, Applicant requests that rejection of claims 1-9 under 35 U.S.C. § 101 be withdrawn and the claims allowed.

II. The Rejections Under 35 U.S.C. § 102

Claims 1, 9, 10, 17, and 25 were rejected under 35 U.S.C. § 102(b) as being anticipated by Buchanan et al. Applicant traverses the rejection of claims 1, 9, 10, 17, and 25 because Buchanan et al. fails to teach each and every recitation of these claims.

Claim 1 recites “[a] method for reducing fraud on a financial account, said method” comprising, *inter alia*, “reviewing account transactions of the identified account to determine whether fraud has been made on the account.” Contrary to the Examiner’s assertions (in the rejection of claim 1), Buchanan et al. never makes such a determination. Although Buchanan et al. assesses the identified account to determine when the customer fails to make a payment, Buchanan et al. does not determine whether fraud has been made on the account. It is respectfully submitted that determining when the customer fails to make a payment is not sufficient to detect when fraud has been made on the account. Indeed, a customer’s failure to make a timely payment is not fraud. The Examiner’s interpretation of fraud would lead to a finding of fraud each time a customer fails to make a payment. As mentioned in Applicant’s background, restricting an account because the customer has previously bounced two or more checks (i.e., determining when the customer fails to make a payment), would lead to every customer who accidentally bounces a payment more than once being restricted. See *Specification*, page 3, ¶ 3. This method restricts many accounts that are not subject to fraud.

Furthermore, amended claim 1 now recites “electronically identifying an account for potential fraud based on payments made to the account that made or would make an outstanding balance of the account to exceed a predetermined limit. These new

features are supported, for example, at the following portions of the specification: page 6, lines 4-17 and page 10, line 13 – page 11, line 16. The features of claim 1 are in no way disclosed or suggested by Buchanan et al.

For at least these reasons, Buchanan et al. fails to teach each and every recitation of claim 1. Accordingly, Applicant respectfully requests that the rejection of claim 1 under 35 U.S.C. § 102(b) be withdrawn and the claim allowed. The same argument applies claims 10 and 17.

Claims 9 and 25 depend from claims 1 and 17 respectively. As explained, claims 1 and 17 are distinguished from Buchanan et al. Accordingly, claims 9 and 25 are distinguished from Buchanan et al. for at least the same reasons as claims 1 and 17, and Applicant respectfully requests that the rejection of these claims under 35 U.S.C. § 102(b) be withdrawn and the claims allowed.

The recited feature of “reviewing account transactions” recited in claims 1, 10, and 17 is further defined with respect to newly added dependent claims 26-28. These new claims are supported, for example, at the following portions of the specification: page 6, lines 12-18; page 11, line 17 – page 12, line 3, and page 12, lines 4-23. The features of claims 26-28 are in no way disclosed or suggested by Buchanan et al.

III. The Rejection Under 35 U.S.C. § 103(a)

Applicant respectfully traverses the rejection of claims 2-7, 11-16, and 18-23 under 35 U.S.C. § 103(a) as unpatentable over Buchanan et al. in view of Gopinathan et al. (U.S. Patent No. 5,819,226) because the Examiner has failed to establish a *prima facie* case of obviousness.

To establish a *prima facie* case of obviousness, three basic criteria must be met. First, the prior art reference (or references when combined) must teach or suggest all the claim elements. Furthermore, "[a]ll words in a claim must be considered in judging the patentability of that claim against the prior art." See M.P.E.P. § 2143.01 (8th Ed., Aug. 2001), quoting *In re Wilson*, 424 F.2d 1382, 1385, 165 U.S.P.Q. 494, 496 (C.C.P.A. 1970). Second, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify a reference or to combine reference teachings. Finally, there must be a reasonable expectation of success. See M.P.E.P. § 2143 (8th Ed. 2001), pp. 2100-122 to 127.

a. The references do not teach the recitations of claims 2-7, 11-16, and 18-23

Claims 2-4 depend from claim 1. As explained, claim 1 is distinguishable from Buchanan et al. Accordingly, claims 2-4 are also distinguishable from this reference for at least the same reasons set forth for claim 1. Further, Buchanan et al. and Gopinathan et al. do not teach or suggest the recitations of claim 2. For example, the Examiner asserts that Buchanan et al. teaches all of the recitations of claim 2, except for determining whether the bad payment made an outstanding balance of the account over a predetermined limit; determining whether an outstanding payment would make the outstanding balance of the account over the predetermined limit if the payment is bad; and flagging the account for review when the bad payment made the outstanding balance of the account over the predetermined limit or the outstanding payment would make the outstanding balance of the account over the predetermined limit if it is bad.

To compensate for these shortcomings, the Examiner relies on Gopinathan et al. See *Office Action*, page 5, ¶ 1. Applicant disagrees.

Buchanan et al. discloses a system for issuing a credit card to a customer who has difficulty qualifying for unsecured credit or who requests a secured credit card. The system periodically monitors a customer's savings account and computes a credit limit after the customer's initial deposit is made. Buchanan et al. merely discloses a process for issuing a secured credit card. The system of Buchanan et al., however, does not teach determining whether the bad payment made an outstanding balance of the account over a predetermined limit; determining whether an outstanding payment would make the outstanding balance of the account over the predetermined limit if the payment is bad; and flagging the account for review when the bad payment made the outstanding balance of the account over the predetermined limit or the outstanding payment would make the outstanding balance of the account over the predetermined limit if it is bad, as recited in claim 2. The reference does not mention, or has the capabilities for, identifying an account for potential fraud in a manner consistent with the recitations of claim 2.

Gopinathan et al. does not make up for the deficiencies of Buchanan et al. Gopinathan et al. discloses a system that detects fraudulent transactions using a predictive model such as a neural network to evaluate individual customer accounts and identify potential fraudulent transactions. The reference, however, fails to teach or suggest a process for identifying an account for potential fraud based on payments made to the account, as recited in claim 2. For example, Gopinathan et al. does not teach or suggest the claimed elements of determining whether the bad payment made

an outstanding balance of the account over a predetermined limit; determining whether an outstanding payment would make the outstanding balance of the account over the predetermined limit if the payment is bad; and flagging the account for review when the bad payment made the outstanding balance of the account over the predetermined limit or the outstanding payment would make the outstanding balance of the account over the predetermined limit if it is bad. Indeed, Gopinathan et al. provides an automated system for detecting fraudulent transactions using a predictive model. And the Examiner merely uses Gopinathan et al. to show flagging the account for review when there is potential fraud, but makes no attempt to show where the reference teaches the fraudulent detection recitations of claim 2.

Additionally, the Examiner admits that Buchanan et al. and Gopinathan et al. do not teach determining whether the bad payment made an outstanding balance of the account over a predetermined limit and determining whether an outstanding payment would make the outstanding balance of the account over the predetermined limit if the payment is bad, as recited in claim 2. To compensate for this shortcoming, the Examiner appears to take Official Notice that such processes are “well known in the art,” and it would have been obvious to one of ordinary skill in the art at the time the invention was made to “determine whether the bad payment or the outstanding payment made an outstanding balance of the account over a predetermined limit.” See *Office Action*, page 5, ¶ 1.

Applicant traverses the Examiner’s taking of Official Notice that the above-noted recitations of claim 2 are well known. An Official Notice rejection is improper unless the facts asserted are well-known or common knowledge in the art, and capable of instant

and unquestionable demonstration as being well-known. See M.P.E.P. § 2144.03, the procedures set forth in the Memorandum by Stephen G. Kunin, Deputy Commissioner for Patent Examination Policy dated February 21, 2002, and the precedents provided in *Dickinson v. Zurko*, 527 U.S. 150, 50 U.S.P.Q.2d 1930 (1999) and *In re Ahlert*, 424 F.2d, 1088, 1091, 165 U.S.P.Q. 418, 420 (CCPA 1970). Further, any facts asserted as well-known should serve only to “fill in the gaps” in an insubstantial manner. It is never appropriate to rely solely on “common knowledge” without evidentiary support in the record as the principal evidence upon which a rejection is based. Applicant submits that the recitations recited in claim 2 are not unquestionably well-known, and the Examiner has failed to demonstrate the contrary. Accordingly, Applicant traverses the Official Notice and request that the Examiner either cite a competent prior art reference in substantiation of these conclusions, or else withdraw the rejection.

Further, Applicant reminds the Examiner of the following provision set forth in M.P.E.P. § 2144.03:

[w]hen a rejection is based on facts within the personal knowledge of the examiner, the data should be stated as specifically as possible, and the facts must be supported, when called for by the applicant, by an affidavit from the examiner. Such an affidavit is subject to contradiction or explanation by the affidavits of the applicant and other persons.

To the extent the Examiner is relying on personal knowledge in taking Official Notice that the features of claim 2 are well known, Applicant requests that the Examiner provide an affidavit evidencing such knowledge as factually based and legally competent to support the Examiner’s conclusions. Moreover, it is respectfully noted that the features that the Examiner states are well known do not meet the limitations of claim 2 as claimed. Specifically, the Examiner states that “determining whether the bad

payment or the outstanding payment made an outstanding balance of the account over a predetermined limit is well known in the art of tracking a credit card account by a credit card company.” It is respectfully submitted, that as presently claimed, claim 2 states “determining whether the bad payment made an outstanding balance of the account over a predetermined limit” and “determining whether an outstanding payment would make the outstanding balance of the account over the predetermined limit if the payment is bad.” It is respectfully noted that the features that the Examiner alleges to be well known do not match the limitations of claim 2.

For these additional reasons, Applicant requests that the rejection of claim 2 under 35 U.S.C. § 103(a) be withdrawn and the claim allowed. The same arguments as above in reference to claim 2 also apply to claims 3 and 4.

Because these references fail to teach or suggest all of the recitations of claims 2-4, Applicant requests that the rejection of this claim be withdrawn and the claims allowed.

Applicant also traverses the Examiner’s assertion that Buchanan et al. and Gopinathan et al. teach and suggest the recitations of claims 5-7. In addition to the reasons set forth in connection with claim 1, these references do not teach or suggest comparing the number of good payments made on the account to a good payment threshold; determining an over limit credit amount that an outstanding balance of the account has exceeded a predetermined limit at a specific time; determining a total over credit amount by totaling each over limit credit amount during a predetermined time period; comparing the total over limit credit amount with an over limit threshold; and restricting the account when the number of good payments is less than the good

payment thresholds and the total over the limit credit amount is greater than the over limit threshold, as recited in claim 5. In fact, the Examiner failed to address all of the recitations of these claims in the Office Action, such as “comparing the number of good payments made on the account to a good payment threshold.”

Furthermore, the Examiner asserts that Buchanan et al. teaches restricting the account when the number of good payments is less than the good payment threshold and the over limit credit amount is greater than the over limit threshold. However, as mentioned previously the Examiner has failed to address “comparing the number of good payments made on the account to a good payment threshold.” As such, Buchanan et al. fails to teach the recited limitation as alleged by the Examiner. In fact Buchanan et al. does not mention, or have the capability for, identifying an account for potential fraud in a manner consistent with the recitations of claim 5. A rejection is improper unless the facts asserted are well known or common knowledge in the art, and capable of instant and unquestionable demonstration as being well known or are specifically taught or suggested in the cited prior art.

Additionally, the Examiner admits that Buchanan et al. and Gopinathan et al. do not teach determining number of good, bad payments, and an over limit credit amount during a predetermined time, as recited in claim 5. To compensate for this shortcoming, the Examiner appears to take Official Notice that such processes are “well known in the art,” and it would have been obvious to one of ordinary skill in the art at the time the invention was made to determine “a number of good, bad payments, and an over limit credit amount during a predetermined time period.” See *Office Action, page 6, ¶ 1.*

Applicant traverses the Examiner's taking of Official Notice that the above-noted recitations of claim 5 are well known. Again, Official Notice rejection is improper unless the facts asserted are well-known or common knowledge in the art, and capable of instant and unquestionable demonstration as being well-known. Applicant submits that the recitations recited in claim 5 are not unquestionably well-known, and the Examiner has failed to demonstrate the contrary. Accordingly, Applicant traverses the Official Notice and request that the Examiner either cite a competent prior art reference in substantiation of these conclusions, or else withdraw the rejection.

Further, Applicant again reminds the Examiner of the provisions set forth in M.P.E.P. § 2144.03. To the extent the Examiner is relying on personal knowledge in taking Official Notice that the features of claim 5 are well known, Applicant requests that the Examiner provide an affidavit evidencing such knowledge as factually based and legally competent to support the Examiner's conclusions.

Accordingly, because the Examiner has not demonstrated that the cited references teach or suggest the recitations of claim 5, nor provides any other evidence to support the position that these recitations are obvious other than personal conclusions, Applicant requests that the rejection of these claims under 35 U.S.C. § 103(a) be withdrawn and the claims allowed. The same arguments apply to claims 6 and 7.

Claims 11-16 and 18-23 include recitations similar to those of 2-7, respectively. As explained, claims 2-7 are distinguishable from Buchanan et al. and Gopinathan et al. Accordingly, claims 11-16 and 18-23 are also distinguishable from these references for at least the same reasons set forth for claims 2-7, and Applicant requests that the

rejection of these claims under 35 U.S.C. § 103(a) be withdrawn and the claims allowed.

Claims 8 and 24 depend from claims 1 and 17, respectively. As explained, claims 1 and 17 are distinguishable from Buchanan et al. Accordingly, claims 8 and 24 are also distinguishable from these references for at least the same reasons set forth for their respective base claims, and Applicant requests that the rejection of these dependent claims under 35 U.S.C. § 103(a) be withdrawn and the claims allowed.

III. Conclusion

In view of the foregoing amendments and remarks, Applicant respectfully requests reconsideration and reexamination of this application and the timely allowance of the pending claims 1-28.

Please grant any extensions of time required to enter this response and charge any additional required fees to our deposit account 06-0916.

Respectfully submitted,

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Dated: August 20, 2004

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